GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:187
ANSWERED ON:05.08.2005
FISCAL DEFICIT
Maheshwari Smt. Kiran;Varma Shri Ratilal Kalidas

Will the Minister of FINANCE be pleased to state:

(a) the present position of fiscal deficit of the country;

(b) whether the Government is contemplating formulation of any action plan to bring down the fiscal deficit;

(c) if so, the details thereof;

(d) whether the Government has set any target to remove the fiscal deficit;

(e) if so, the details thereof; and

(f) the time by which this target is likely to be achieved?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (f): A statement is placed on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.187 (POSITION NO.7) of 5th August, 2005 by Shrimati Kiran Maheshwari and Shri Ratilal Kalidas Varma, regarding Fiscal Deficit.

(a) The provisional Union Government Accounts for 2004-05 released by Controller General of Accounts places the fiscal deficit at Rs.1,27,975 crore which would be equivalent to 4.1 per cent of GDP. The combined fiscal deficit of the Centre and States, which was placed at 9.4 per cent of GDP in 2003-04 (RE), is budgeted to decline to 79 per cent of GDP in 2004-05.

(b) and (c): The Fiscal Responsibility and Budget Management Act (FRBMA), 2003 mandates the Central Government to eliminate the revenue deficit and reduce the fiscal deficit to not more than 3 per cent of GDP by end-March 2009. In pursuance of this mandate, Central Government has taken a series of initiatives which, inter alia, include widening the tax base through phased removal of exemptions, increased coverage under service tax, special drive to realise tax arrears and containing increase in interest payments by maintaining soft interest rates, carrying forward with pension reforms and efforts at targeting subsidies to the poor and truly needy sections of the society. The introduction of State-level value added tax and implementation of the Twelfth Finance Commission award, which include a debt relief and debt write-off package to States linked to the enactment of fiscal responsibility legislations by them, would help reduce their fiscal deficit. Adherence to the fiscal responsibility legislation by the Centre and States would bring down the combined fiscal deficit.

(d), (e) and (f): Elimination of fiscal deficit is not a target under FRBMA, 2003.